

**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Business Opportunity Fraud Act of the
State of Washington by:

Vermi-Plex, Inc., David G. Monroe, their
employees and agents,
Respondents.

SDO - 30 - 99

CONSENT ORDER

Case No. 99-03-0069

THE STATE OF WASHINGTON TO:

Vermi-Plex, Inc.
David G. Monroe
P.O. Box 1041
2295 East Honeysuckle Avenue
Hayden, ID 83835

INTRODUCTION

The Securities Division, Department of Financial Institutions, State of Washington, and Respondents do hereby agree to this Consent Order in settlement of the matters alleged herein. Respondents neither admit nor deny the Tentative Findings of Fact and Conclusions of Law as set forth below.

TENTATIVE FINDINGS OF FACT

I.

Vermi-Plex, Inc. is an Idaho corporation that maintains a principal business address of 2295 East Honeysuckle Avenue, Hayden, Idaho, and is the seller of an opportunity involving the growing of earthworms (the "earthworm opportunity"). David G. Monroe is the President of Vermi-Plex, Inc.

II.

In at least March of 1999, Respondents caused to be placed, through an advertising company located in Seattle, Washington, a number of signs on local transit busses operated by Intercity Transit in the Olympia, Washington area. These signs stated the following: "WORM GROWERS NEEDED... WORMS + FREE FOOD = BIG BUCKS." An investigator with the Securities Division posing as a

prospective purchaser of the earthworm opportunity called the telephone number that appeared on such a sign and spoke to an individual who identified himself as David Monroe. Monroe stated to the investigator, among other things, that he brokered worms for 200 people, that the worms were distributed nationwide for use in landfill and other organic sites, that he repurchased worms from persons who purchased the opportunity, and that an individual could earn approximately \$480 per month from the opportunity. The investigator subsequently requested and received from Vermi-Plex, Inc. and David G. Monroe an informational package of materials regarding the earthworm opportunity mailed to an address located in Tacoma, Washington. The materials indicated that Vermi-Plex, Inc. offers complete business start-up kits, incubator, worms, as well as digital moisture and PH test units. The materials emphasized the money making aspects of the opportunity, including the statements such as “Make \$6,500 to \$65,000 per year!!” and “it is on the best home-money-making projects we know of.” The materials also indicated that Vermi-Plex, Inc. buys red worms from its growers at \$6.00 per pound and that it also buys castings and “worm tea” (a liquid fertilizer) that are by-products through the use of the incubation process.

Vermi-Plex, Inc. and David G. Monroe failed to provide to the Securities Division investigator posing as a prospective purchaser of the earthworm opportunity a disclosure document containing complete material information regarding the opportunity, including but not limited to a financial statement for Vermi-Plex, Inc., and failed to disclose that purchasers had a statutory right to rescind the purchase within seven days of signing a contract.

III.

Vermi-Plex, Inc. is not currently registered with the Washington Securities Division to offer or sell business opportunities in the state of Washington and has not previously been so registered.

Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

I.

The offer and/or sale of the earthworm opportunity described in Tentative Finding of Fact I through III constitutes the offer and/or sale of a business opportunity as defined in RCW 19.110.020(1).

II.

The offer and/or sale of the earthworm opportunity as described in Tentative Findings of Fact I and II was made in violation of RCW 19.110.070 and RCW 19.110.120 because Respondents and their employees and/or agents failed to provide to a Washington offeree a disclosure document containing complete material information regarding the earthworm opportunity, including but not limited to a financial statement for Vermi-Plex, Inc.,

III.

The offer and/or sale of the earthworm business opportunity as described in Tentative Findings of Fact I and II was made in violation of RCW 19.110.110 because Respondents and their employees and/or agents failed to disclose that purchasers had a statutory right to cancel a purchase within seven days of signing a contract.

IV.

The offer and/or sale of the earthworm business opportunity as described in Tentative Findings of Fact I through III was made in violation of RCW 19.110.050(1) because no business opportunity registration has been made nor a permit issued to Respondents for the offer and/or sale of the business opportunity in this state.

ORDER AND CONSENT

Based on the premises of the foregoing,

IT IS THEREFORE AGREED AND ORDERED That Vermi-Plex, Inc., David G. Monroe, their employees and agents, shall each cease and desist from violations of RCW 19.110.070 and RCW 19.110.120, the disclosure document requirement and antifraud provisions of the Business Opportunity Fraud Act, respectively.

IT IS THEREFORE AGREED AND ORDERED That Vermi-Plex, Inc., David G. Monroe, their employees and agents, shall each cease and desist from violations of RCW 19.110.110, which requires disclosure of a cancellation period of a business opportunity contract.

IT IS THEREFORE AGREED AND ORDERED That Vermi-Plex, Inc., David G. Monroe, their employees and agents, shall each cease and desist from violations of RCW 19.110.050(1), the registration requirement provision of the Business Opportunity Fraud Act.

IT IS THEREFORE AGREED AND ORDERED That Vermi-Plex, Inc. shall disclose the existence and contents of this Order in any business opportunity registration disclosure document approved for use in the state of Washington, such requirement commencing from the date of entry of this Order.

IT IS THEREFORE AGREED AND ORDERED That Vermi-Plex, Inc. shall inform all of its employees and agents who offer business opportunities in the state of Washington of the existence and contents of this Order for a period of three years from the date of entry of this Order.

IT IS THEREFORE AGREED That Vermi-Plex, Inc. shall reimburse the Securities Division \$300 for its costs of investigation of this matter, payable prior to the Division's entry of this Order.

IT IS THEREFORE AGREED That Vermi-Plex, Inc. and David G. Monroe each waive their rights to hearings in this matter.

IT IS THEREFORE ORDERED That upon entry of this Order by the Securities Division, Summary Order to Cease and Desist SDO-21A-99, entered March 18, 1999, is vacated.

Signed this ____ day of _____, 1999 by:

David G. Monroe, as President of Vermi-Plex, Inc., and individually:

(Signature)

This Order entered by the Securities Division this ____ day of _____, 1999.

Deborah R. Bortner
Securities Administrator

Presented by: _____
Brad Ferber
Securities Examiner

Michael E. Stevenson
Chief of Compliance